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Proposed programme budget for the biennium 2004-2005

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services on the United Nations capital master plan for the period from January to July 2003

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994, 54/244 of 23 December 1999 and 57/292 of 20 December 2002, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report on the United Nations capital master plan, conveyed to him by the Under-Secretary-General for Internal Oversight Services.

2. The Secretary-General takes note of the observations made in the report and is pleased with the assessment that the design development phase is advancing satisfactorily and that there is reasonable assurance to indicate that the process thus far has been transparent and fair.

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Report of the Office of Internal Oversight Services on the United Nations capital master plan for the period from January to July 2003

Summary

From 1 January to 31 July 2003, the Office of Internal Oversight Services (OIOS) provided continuous monitoring of the activities related to the capital master plan project as mandated by the General Assembly in its resolution 57/292 of 20 December 2002. These monitoring activities were to ascertain whether adequate internal controls were in place for the design development process at this early stage of the project.

OIOS reviewed the expression of interest notices issued by the United Nations Procurement Division to prospective architectural and engineering firms worldwide and witnessed the oral presentations made by the shortlisted firms. OIOS also assessed the procedures and controls established by the Office of Central Support Services for soliciting and evaluating proposals from prospective contractors.

OIOS is of the view that the process of issuing requests for proposals for the purpose of selecting architectural and engineering firms to provide the design services under the capital master plan project has advanced satisfactorily, that there is reasonable assurance to indicate that the process thus far has been transparent and fair and that internal controls in the request for proposals process appeared adequate. However, the real oversight challenge for OIOS will begin when the United Nations starts negotiating contracts with the firms selected, which will deliver designs that meet not only all the requirements set forth by the Secretariat, but also the expectations of the Member States.

OIOS will continue to carry out its oversight duties for each phase of the capital master plan project on a concurrent basis as the contracts are awarded and executed. OIOS will require support and resources to accomplish these tasks.

I. Introduction

1. Pursuant to General Assembly resolution 57/292 of 20 December 2002, the Office of Internal Oversight Services (OIOS) is hereby submitting its first report on the capital master plan. In section II, paragraph 22, of the resolution, the General Assembly stressed the importance of oversight with respect to the development and implementation of the capital master plan and requested the Board of Auditors and all other relevant oversight bodies to initiate immediate oversight activities and to report annually thereon to the General Assembly. The present report covers monitoring activities during the period from 1 January to 31 July 2003 with respect to the design development phase of the capital master plan.

2. In September 2002, prior to the adoption of resolution 57/292, OIOS designated an auditor to be the focal point for the capital master plan. The auditor interacts regularly with various departments and offices that are directly or indirectly involved with the plan, including the capital master plan project team, the Procurement Division of the Office of Central Support Services and the Programme Planning and Budget Division of the Office of Programme Planning, Budget and Accounts.

3. On 26 February 2003, the Programme Planning and Budget Division issued an allotment advice to OIOS in the amount of $118,000 under general temporary assistance. The Internal Audit Division of OIOS immediately initiated action to recruit an auditor with experience in auditing construction in New York City at a level and for a duration commensurate with the allotted resources. A candidate possessing the required qualifications was recruited in July 2003 under a short-term contract to 31 December 2003.

II. Monitoring activities related to the design development phase of the capital master plan

4. Prior to the period covered by the present report, OIOS reviewed the progress of a contract that had been entered into with a firm to provide professional and architectural/engineering and related services for the preliminary phase of the capital master plan at a cost of $6,229,460. That contract has since been completed. The main focus of the work of OIOS has since shifted to monitoring the activities carried out by the capital master plan project team and the Procurement Division in launching the design development phase of the plan. According to the implementation plan, activities to be completed in 2003 and 2004 centre on the design development, specifically in the areas of architectural and engineering design. A key activity involved a worldwide search for architectural and engineering firms for the design development phase of the various components of the capital master plan.

5. The search for architectural and engineering firms commenced with the posting of an expression of interest notice on the web page of the Procurement Division. This was followed by a formal request for proposals issued in February 2003. The request for proposals was structured into six separate contracts, as follows:

- Contract A: programme planning services

- Contract B: Infrastructure
- Contract C: General Assembly and Conference Buildings
- Contract D: Secretariat and South Annex
- Contract E: Dag Hammarskjöld Library
- Contract F: Security

6. The request for proposals was sent to 85 architectural and engineering firms, of which 69 expressed an interest in the renovation project. The capital master plan project team organized two site visits and walk-throughs at the United Nations compound and facilities in March 2003. A total of 51 firms participated in the walk-through organized by the capital master plan project team, after which 35 firms submitted a total of 75 proposals for the renovation project. Some of the firms submitted proposals for more than one of the contracts. The proposals were evaluated to determine whether the firms had had experience with comparable projects, capacity and personnel, and 21 of the firms were shortlisted. The shortlisted firms were invited to make further oral presentations. The oral presentations have been completed for all contracts, and the capital master plan project team has submitted its final assessment on each of the contracts to the Procurement Division, which is in the process of preparing its submission to the Headquarters Committee on Contracts on the proposed contract awards.

III. Review and assessment of the request for proposals process utilized for the design development phase

7. OIOS is of the view that the design development process has advanced satisfactorily during the early stages of the capital master plan project and that there is reasonable assurance to indicate that the process thus far has been transparent and fair. The internal controls in place for the contract solicitation and review process were also found to be adequate.

8. The proposals received from the interested architectural and engineering firms were reviewed and evaluated jointly by the capital master plan project's technical staff and various user departments within the Secretariat. The proposals received for each of the contracts were reviewed by the Office of Central Support Services, the Department for General Assembly and Conference Management, the Department of Public Information and the Office of the Secretary-General. A panel was then set up for each contract comprising representatives of each affected department or office and the responsible staff of the capital master plan project team.

9. Each member of the panel made an independent assessment and evaluation of the request for proposals using a standardized format and a system for scoring criteria. The panel then tabulated the results and made its decisions on the number of prospective firms to be called to make oral presentations. Criteria were also established for the oral presentations, such as the case study to be presented, the number of participants to be allowed and the duration of each presentation. Each session started with a presentation by the firm followed by a question-and-answer period. The panel used a standard set of questions for all the firms. At the end of each session, the panel held an executive session to go over the presentation.

10. Again, each member of the panel graded the oral presentations independently using a scoring system and format that were standard for all presentations. The combined score of the technical evaluation and the oral presentation would determine which firm would be best qualified to perform the job. The results were then forwarded to the Procurement Division for financial evaluation and submission to the Headquarters Committee on Contracts.

IV. Looking forward

11. The main oversight challenge for OIOS will commence in the next phase of the capital master plan project when the United Nations begins negotiating the contracts with the firms selected to deliver an architectural and engineering design that will meet not only all the requirements set forth by the Secretariat, but also the expectations of the Member States. To meet this challenge, OIOS has developed an oversight strategy and a preliminary audit plan covering the design development phase as well as the remaining phases of the capital master plan project.

12. An audit programme is being prepared for the review of all architectural and engineering design contracts in the design development phase that will ensure that all requirements set forth by the Secretariat are met, as well as the expectations of Member States. During that review, OIOS will pay particular attention to those areas that are susceptible to contributing to cost overruns and delays. The audit programme will include steps to ensure that the capital master plan project team has reviewed the design development documents for "biddability" and "constructability". In addition, OIOS will monitor progress in the design and construction by the United Nations Development Corporation of the "swing space", which is critical if the renovation project is to start on schedule. The preliminary audit plan will be updated periodically to include other pertinent areas as the renovation project moves through the various phases.

13. The resources allotted to OIOS since March 2003 have allowed for the recruitment of only one auditor on a short-term basis to 31 December 2003. Based on the projected activities of the capital master plan project in 2004, OIOS will request additional resources for 2004 and beyond to provide the oversight necessary as the project progresses and the level of contract-execution activities expands. This would allow the Internal Audit Division to continue to properly audit the implementation of the capital master plan as envisioned by the General Assembly in its resolution 57/292.

(*Signed*) Dileep **Nair**
Under-Secretary-General for Internal Oversight Services